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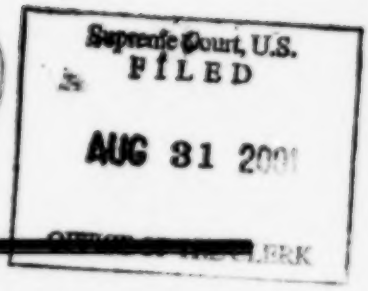

No. 00-1543

IN THE

SUPREME COURT OF THE UNITED STATES

FESTO CORPORATION,
Petitioner,
v.
SHOKETSU KINZOKU KOGYO KABUSHIKI CO., LTD., A/K/A SMC CORPORATION AND SMC PNEUMATICS, INC.,
Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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BRIEF OF *AMICUS CURIAE* ASTA MEDICA AKTIENGESELLSCHAFT IN SUPPORT OF PETITIONER

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26 pp

TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES ii

INTEREST OF *AMICUS CURIAE* ASTA MEDICA AKTIENGESELLSCHAFT 1

CONSENT TO FILING OF *AMICUS CURIAE* BRIEF 2

SUMMARY OF THE ARGUMENT 2

ARGUMENT 3

I. The Primary Function of a Patent Is to Promote the Progress of Science and Useful Arts 3

II. *Festo* Promotes Increased Uncertainty By Hollowing Certain Existing Patents 5

III. *Festo* Limits the Scope of Patents in the United States Inconsistently With The Scope of Protection Afforded to Patents In Europe 13

CONCLUSION 21

TABLE OF AUTHORITIES

Page

CASES

BGH Case No. 1a ZR 10/63
on June 30, 1964 "Scanning needle"
(GRUR 1964, 669) 18, 20

BGH Case No. X ZR 22/97
on February 17, 1999 "Contact spring block"
(GRUR 1999, 914) 18

BGH Case No. X ZR 28/85
on April 29, 1986 "Moulded curbstone"
(GRUR 1986, 803) 17, 18

BGH Case No. X ZR 33/88
on October 3, 1989 "Handle cord for
battery case" (GRUR 1989, 903).....18

BGH Case No. X ZR 46/76
on June 15, 1978 "Wind screen"
(GRUR 1978, 699) 18

BGH Case No. X ZR 5/87
on June 14, 1988 "Ion analysis"
(GRUR 1988, 896) 17

BGH Case No. X ZR 6/91
on April 20, 1993 "Moistening device"
[literal translation] (GRUR 1993, 886).....18

BGH Case No. X ZR 63/87
on November 29, 1988 "Heavy metal
oxidation catalyst" (GRUR 1989, 205) 17

BGH Case No. X ZR 74/94
on February 4, 1997 "Cable duct"
(GRUR 1997, 455) 19

Graver Tank and Mfg. Co. v. Linde Air Products Co., 339 U.S. 605 (1950).....5, 7

Hughes Aircraft Co. v. United States, 140 F.3d 1470 (Fed. Cir. 1998) 8

Southwall Tech., Inc. v. Cardinal IG Co., 54 F.3d 1570 (Fed. Cir. 1995) 6

Warner-Jenkinson Co. v. Hilton Davis Chemical Co., 520 U.S. 17 (1997).....4, 7, 8, 19

STATUTES

Section 112, ¶ 2 of Title 35 of the United States Code 2

OTHER AUTHORITIES

Benkard/Ullman, PatG, [Patent Law], 9th edition, marginal number 84 in § 14.....19

Benkard/Ullmann, loc. cit., marginal number 82. 20

Draft Regulations and Practice Guidelines Under the Draft Substantive Patent Law Treaty, SCP/5/3, April 4, 2001.....15

Draft Substantive Patent Law Treaty, SCP/5/2, April 4, 2001 13

European Patent Convention ("EPC") 2000, art. 69, ¶ 1 15

Lower Courts' Festo Interpretations Are Increasing Uncertainty, Attorneys Told, 18 No. 16 Andrews Computer & Online Indus. Litig. Rep. 7 (2001) 6

Schramm, Der Patentverletzungsproze ß [Patent infringement proceedings], 4th ed., 1999.....20

The Act Revising the Convention on the Grant of European Patents Art. 2(1) (Munich, Nov. 29, 2000) 16

United States Patent and Trademark Office, Manual Of Patent Examining Procedure § 706.03(d) (7th ed., 1st Rev.) 2

WIPO statement of objectives at the website: <http://www.wipo.int/about-wipo/en/index.html?.....13

RULES

Supreme Court Rule 37.2(a)..... 2

CONSTITUTIONAL PROVISIONS

U.S. Const., art. 1, § 8 .....2, 4

BRIEF OF *AMICUS CURIAE* ASTA MEDICA AKTIENGESELLSCHAFT IN SUPPORT OF PETITIONER

INTEREST OF *AMICUS CURIAE*[1] ASTA MEDICA AKTIENGESELLSCHAFT

ASTA Medica Aktiengesellschaft ("ASTA Medica") is a leading international pharmaceutical corporation which owns over one hundred United States Patents. ASTA Medica supports the appeal of the Festo Corporation because it believes that the decision of the Court of Appeals in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, will significantly undermine its ability to obtain full and adequate patent protection under the laws of the United States. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 234 F.3d 558 (Fed. Cir. 2000) ("*Festo*"). ASTA Medica routinely seeks and obtains the protection of United States patents for its pharmaceutical products, and almost always bases its United States applications on foreign filings. Frequently, during the course of prosecution in the United States, ASTA Medica is required to amend its application to alter the syntax or structure of its claims, in order to comport with United States practice and procedures. *See, e.g.*, United States Patent and

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[1] This brief was not authored, in whole, or in part, by counsel for a party. No person or entity other than the *amicus curiae* made a monetary contribution to the preparation and submission of this brief.

Trademark Office, Manual Of Patent Examining Procedure § 706.03(d) (7th ed., 1st Rev.). Although those amendments might be considered related to patentability pursuant to Section 112, ¶ 2 of Title 35 of the United States Code, ASTA Medica did not intend to cede any claim scope by such amendment. Nevertheless, under *Festo*, the scope of protection afforded to claims so amended might be severely restricted, and the value of existing patents whose claims have been restricted in this fashion may be considerably diminished. Inasmuch as the decision of the Court of Appeals in *Festo* does not comport with previous United States law, or well-settled international precedent, it is respectfully submitted that *Festo* enhances uncertainty in the law, and should be reversed.

CONSENT TO FILING OF *AMICUS CURIAE* BRIEF

In accordance with Supreme Court Rule 37.2(a), ASTA Medica Aktiengesellschaft has obtained written consent to the filing of this *amicus curiae* brief from the counsel of record for both parties. The letters of consent have been filed with the Clerk of the Court.

SUMMARY OF THE ARGUMENT

The primary purpose of a patent is to promote the "Progress of Science and the useful Arts." U.S. Const., art. 1, § 8. Patent claims define the metes and bounds of the patent grant and notify the public as to the nature and scope

of the patentee's rights. However, the policies underlying the notice function of a patent do not trump the primary policy underpinning the State's monopoly grant: to protect a patentee's intellectual property rights. Thus, the notice function does not justify the Federal Circuit's radical decision to invoke an absolute bar on equivalents whenever a narrowing amendment related to patentability is made.

The Federal Circuit's decision in the case at bar conflicts with the principles undergirding the patent system in this country, and does not comport with well-settled international law. Furthermore, the decision is inconsistent with the explicit mandate of the WIPO and the GATT which promote the global harmonization of intellectual property protection laws. Neither the European Community or the Federal Republic of Germany have adopted such a delimited version of the doctrine of equivalents. Nor should the United States.

ARGUMENT

I. The Primary Function of a Patent Is to Promote the Progress of Science and Useful Arts.

Patents do not exist for the exclusive purpose of providing notice to potential infringers. Patents exist for the primary purpose of protecting, and circumscribing the bounds of, useful, novel and non-obvious intellectual property. The vaunted "notice function" with

which the federal courts have imbued United States patents, and on which the Federal Circuit rests its opinion in the case at bar, is merely an ancillary benefit of the bargained for exchange in which the State grants a patentee a monopoly right in order to "promote the Progress of Science and useful Arts." U.S. Const., art. 1, § 8; *see also*, 234 U.S. at 599-601, concurring and dissenting opinion, JJ. Michel and Rader, (observing that this Court in *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*, 520 U.S. 17 (1997) struck an appropriate balance between the notice function and a patentee's need for protection against copyists, and reasoning that "the substance of the communications between the applicant and the examiner may *further* notify the public as to additional limits on the enforceable scope of the patent claims.").

Therefore, the notice function, however significant, does not excuse the Federal Circuit's decision in *Festo*, requiring courts to invoke an absolute bar to equivalents whenever any narrowing amendment substantially related to patentability is made. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 234 F.2d 558, 567 (Fed. Cir. 2000 ("*Festo*"). By narrowing the available range of equivalents, the decision contrives a poorly crafted mechanism for more precisely delimiting the boundaries of individual claim elements that ignores both the patent policy and precedent. *See generally* 234 F.3d 558, 601-615, and authorities cited therein. Yet, in so doing, the decision accomplishes little more than providing potentially infringing poachers with

ready access to low-hanging fruit. That the Federal Circuit cloaks its edict in the mantle of certainty does not change the fact that it has finally realized this Court's fifty-year old premonition that, absent a viable doctrine of equivalents, a United States patent would become a "hollow and useless thing." *Graver Tank and Mfg. Co. v. Linde Air Products Co.*, 339 U.S. 605, 607 (1950).

The decision of the Federal Circuit is inconsistent with both the well-settled law of the United States and with the laws of other industrialized members of the World Intellectual Property Organization ("WIPO") and other signatories to the General Agreement on Tariffs and Trade ("GATT"). Although there are appropriate circumstances under which the doctrine of equivalents is, and should be, restricted, the Federal Circuit's decision in the case at bar unnecessarily and inconsistently narrows the scope of patent protection in the United States. In view of the fact that the United States maintains the world's largest economy, it is remarkable that this country should maintain such narrow patent protection.

II. *Festo* Promotes Increased Uncertainty By Hollowing Certain Existing Patents.

The Federal Circuit majority enunciated two primary policy reasons for limiting the range of equivalents and expanding the scope of prosecution history estoppel: (1) "preserving the notice function of the claims"; and, (2) "preventing

patent holders from recapturing under the doctrine of equivalents subject matter that was surrendered before the Patent Office." 234 F.3d at 567. Neither of these reasons justifies or supports the Federal Circuit's decision.[2] Although the Federal Circuit propounds the notion that abolishing the "flexible bar" will enhance a patent's notice function and enhance certainty, both the limited anecdotal evidence that has been adduced since *Festo* was rendered, and policy, suggest the contrary. *See, e.g., Lower Courts' Festo Interpretations Are Increasing Uncertainty, Attorneys Told*, 18 No. 16 Andrews Computer & Online Indus. Litig. Rep. 7 (2001).

Thus, when the Federal Circuit concludes that the "notice function" has achieved a "paramount" importance in patent law, it stretches precedent. 234 F.3d at 575. *See*

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[2] The *amicus curiae* does not address the circumstance where an element of a claim has been narrowed in such a way as to require that the element be implemented according to its literal terms. In such circumstances, equivalents are necessarily barred by the amendment. Further, the amicus curiae does not address the situation where a party expressly disclaims or deliberately excises, either in the prosecution history or the specification, certain claim scope. Petitioners make no challenge to the Federal Circuit's long standing rule that it is not possible to reclaim by equivalents claim scope that has been intentionally ceded. *See, e.g., Southwall Tech., Inc. v. Cardinal IG Co.*, 54 F.3d 1570, 1576 (Fed. Cir. 1995) (holding that "[t]he prosecution history limits the interpretation of claim terms so as to exclude any interpretation that was disclaimed during prosecution."). Instead, the instant argument is confined to whether any range of equivalents should be available in those cases where such equivalents continue to find adequate support in the amended specification.

generally Warner-Jenkinson; *Graver Tank and Mfg. Co. v. Linde Air Products Co.*, 339 U.S. 605 (1950). When the court bends to the perceived public appetite for certainty and abolishes the "flexible bar," it yields too much. While it is true, as the Federal Circuit complains in its majority opinion, that there are legitimate difficulties in managing the "flexible bar" approach, the solution the Federal Circuit has drawn improperly discards the baby with the bath water. Rather than entrusting to the lower courts the discretion to confront and resolve the complex issue of equivalents on a case-by-case basis, the Federal Circuit has incorrectly concluded that the lower courts need not render such decisions.

The Federal Circuit rationalizes its decision, in part, under the following rubric: "By narrowing his claims, a patentee disclaims subject matter encompassed by the original claims." 234 F.3d at 575. However, by strictly construing an applicant's amendment of his original subject matter where he amends over the prior art, the Federal Circuit's decision penalizes an applicant for amending his claims by requiring that he forfeit claim scope beyond that necessary to traverse the art. Such an arbitrary penalty is fundamentally inconsistent with the equitable roots of the doctrine of equivalents. *See* 234 F.3d at 592-96, concurring opinion, Plager, J., and authorities cited therein (reasoning that the doctrine of equivalents, "a judge-made rule in the first place," has "its roots firmly in equity.").

Furthermore, to the extent that a patentee

may be said to own the intellectual property defined by the claims of his patents and bounded by the equitable equivalents thereto, the Federal Circuit's decision and the resulting diminution in the value of existing patents is tantamount to an arbitrary and uncompensated taking. *See, e.g., Hughes Aircraft Co. v. United States*, 140 F.3d 1470 (Fed. Cir. 1998), abrogated, in part, by *Festo* (holding that prosecution history estoppel in light of *Warner-Jenkinson* did not preclude a finding of infringement against the United States government). This is particularly significant for ASTA Medica because it is currently in the process of divesting a part of the company, and the attending patents. As a result of the *Festo* decision, several existing United States patents which are to be divested may now possess a diminished value under *Festo*. Such an uncompensated taking, couched in terms of an inventor's voluntary surrender of claim scope, is made all the more egregious when it is justified only by a purported need to promote the certainty with which subsequent infringers may skirt liability.

The Federal Circuit recognized that "a flexible bar affords patentee more protection under the doctrine of equivalents." *Id.* at 578. However, it nevertheless determined to side with infringers, adding, "we do not believe that the benefits outweighs the cost of uncertainty." *Id.* In so deciding, the Federal Circuit reasoned that:

> a complete bar, unlike a flexible bar, thus lends certainty to the process of

> determining the scope of protection afforded by a patent. With a complete bar, both the public and the patentee know that once an element of a claim is narrowed by amendment for a reason related to patentability, that element's scope of coverage will not extend beyond its literal terms. There is no speculation or uncertainty as to the exact range of equivalents that might be available. This certainty aids both the public and the patentee in ascertaining the true scope and value of the patent without having to resort to litigation to obtain a case by case analysis of what subject matter the claims can cover. With a complete bar, neither the public nor the patentee is required to pay the transaction costs of litigation in order to determine the exact scope of subject matter the patentee abandoned when the patentee amended the claim.

Id. at 577.

However, the dire consequences that the Federal Circuit diagnoses in *Festo* are aggravated, rather than cured by its prescription. Indeed, because *Festo* applies retroactively, instead of reducing the amount of litigation that exists, *Festo* threatens to increase litigation costs dramatically. For example, *Festo* may actually encourage litigation by causing sophisticated

licensees to review, and potentially, to renege on, the agreements they have undertaken on patents whose claims may be argued no longer cover their intended product. ASTA Medica is currently engaged in an extensive international licensing program involving many of its United States patents, and it is possible that the value of its portfolio may be significantly diminished as a result of the *Festo* decision. Moreover, even a complete bar to equivalents is unlikely to stem the tide of patent litigation. Although *Festo* purports to obviate the uncertainties associated with contorted analyses of prosecution histories to determine what range of equivalents a claim element may possess, in reality, the decision compels a far more daunting quagmire. The ironclad estoppels contemplated under *Festo* would not preclude a court from rigorously interpreting the disputed elements of patent claims asserted during a suit; *Festo* does not eliminate patent litigation or its attendant complexity.

Moreover, the Federal Circuit has not reconciled the complete bar on equivalents with existing patent practice that provides no limitation on the range of available equivalents for identical unamended claims. The dichotomy is brought into relief by the fact that every patent claim, whether or not amended during prosecution is implicitly limited by the prior art. Regardless, all claims allowed by the United States Patent and Trademark Office (the "Patent Office" or "PTO") are equally valid at the time of issue. The Federal Circuit does not adequately

explain why, except in circumstances where claim scope is deliberately relinquished during prosecution, a claim should be so delimited. The "notice function" is not an answer; the infringing public could obtain adequate notice simply by a close examination of the existing public file wrappers, which would serve to identify the extent to which an applicant has surrendered or disclaimed certain claim scope versus the prior art.

In characterizing the flexible approach that precedent dictates as unworkable and adopting an absolute bar where a narrowing amendment substantially related to patentability is made, the Court of Appeals elevates form over substance. It further predicates the level of protection to which a patentee is entitled on how deftly and with what prescience that patentee drafted his patent application. *Festo* thus inconsistently rewards patentees depending upon the nature and extent of the prior art that is disclosed to the Patent Office during prosecution. As a practical matter, it is not always possible for an applicant to "get it right" on the first try and prepare claims that need not be amended during prosecution. Patent prosecution is a dynamic process involving a continuing exchange between an examiner and an applicant. Even the most diligent applicant and examiner may not be able to complete an exhaustive review of the existing prior art during prosecution.

However, it is not difficult to conceive a situation where a set of claims survives

prosecution unamended but nevertheless where these claims are later challenged in litigation based on prior art that was neither discovered nor disclosed previously. Under *Festo*, a patentee who is fortunate enough to obtain an allowance without amendment is rewarded with a more valuable patent than an applicant who must amend over a piece of art prior during prosecution (regardless as to whether the "unamended" claims of patentee, A, have a narrower literal scope than the "amended" claims of patentee, B). No logical reason exists to relegate a patentee who pursues a more diligent search of the prior art or who files a more prompt and comprehensive disclosure of prior art with the Patent Office, to second class status with a patent which can be easily circumvented. Yet this is precisely the result *Festo* invites.

The Federal Circuit improperly miscasts the issue as a policy conflict between the patentee and the general public, proclaiming that "[a]mendments 'must be strictly construed against the inventor and in favor of the public.' . . . . A complete bar also eliminates the public's need to speculate as to the subject matter surrendered . . . ." 234 F.3d at 576. However, the Federal Circuit's characterization both misses the mark and creates an unnecessary tension where none exists. A patentee only disclaims certain defined subject matter by amendment, and it is not the innocent public whom the notice function protects, but infringers who seek to trespass on a patentee's rights.

Festo does not accomplish the goals it purports to embrace; instead, it simply ratifies and rewards the activities of actual infringers. *Festo* raises the spectre of a diminution in value of United States patents, coupled with a surge in infringement and increased litigation. Research and development might further be stunted as a consequence of the anti-inventor bias that *Festo* has adopted. As such, it is not prudent public policy to deprive inventors of the fullest possible benefits of the patent laws of the United States.

III. *Festo* Limits the Scope of Patents in the United States Inconsistently With The Scope of Protection Afforded to Patents In Europe.

Furthermore, *Festo* is inconsistent with the United States' enunciated goal of global patent law harmonization. The WIPO, to which the United States is a signatory, proclaims global patent harmonization as an express objective. (*See generally* WIPO statement of objectives at the website:<http://www.wipo.int/about-wipo/en/index.html?wipo_content_frame=http://www.wipo.int/about-wipo/en/gib.htm>). The member States are in the process of refining a draft treaty designed to achieve this objective at a substantive level. (*See* Draft Substantive Patent Law Treaty, SCP/5/2, April 4, 2001.) The most recent version of Rule 11 of the Draft Regulations and Practice Guidelines addresses the interpretation of claims under Article 14 of the draft treaty and provides for a wide range of

equivalents that do not appear to accommodate *Festo's* absolute bar:

> (1) [Principle] For the purposes of Article 14(l), the claims shall be so interpreted as to combine fair protection for the applicant with a reasonable degree of certainty for third parties. Consequently, the claims shall not be interpreted as being necessarily confined to their strict literal wording. Neither shall the claims be considered as mere guidelines allowing that the protection conferred by the application extends to what, from a consideration of the description and drawings by a person skilled in the art, the applicant has contemplated, but has not claimed.
>
> [(2) [Equivalents] For the purposes of Article 14(2), an element shall generally be considered as being equivalent to an element as expressed in a claim if, at the time of any alleged infringement, it performs substantially the same function in substantially the same way and produces substantially the same result as the element as expressed in the claim, and it is obvious to a person skilled in the art that the same result as that achieved by means of the element as expressed in

> the claim can be achieved by means of the equivalent element.
>
> (3) [Prior Statements] In determining the scope of protection, due account shall be taken of any statement limiting the scope of the claims made by the applicant during procedures concerning the grant or the validity of the patent.]

Draft Regulations and Practice Guidelines Under the Draft Substantive Patent Law Treaty, SCP/5/3, April 4, 2001.

European patent law reflects these same standards. Article 69 of the European Patent Convention provides that "[t]he extent of protection conferred by a European patent . . . shall be determined by the terms of the claims. Nevertheless, the description and drawings shall be used to interpret the claims." European Patent Convention ("EPC") 2000, art. 69, ¶ 1. The Protocol on the Interpretation of Article 69 of the Convention further instructs that

> Article 69 should not be interpreted in that sense that the extent of the protection conferred by a European patent is to be understood as that defined by the strict, literal meaning of the wording used in the claims, the description and drawings being employed only for the purpose of resolving an ambiguity

found in the claims. Neither should it be interpreted in the sense that the claims serve only as a guideline and that the actual protection conferred may extend to what, from a consideration of the description and drawings by a person skilled in the art the patentee has contemplated. On the contrary it is to be interpreted as defining a position between these extremes which combines a fair protection for the patentee with a reasonable degree of certainty for third parties.

Protocol on the Interpretation of Article 69 of the Convention, adopted at the Munich Diplomatic Conference for the setting up of a European System for the Grant of Patents on October 5, 1973.

The Act Revising the Convention on the Grant of European Patents Art. 2(1) (Munich, Nov. 29, 2000) amended the Protocol to expressly provide for equivalents. ("due account shall be taken of any element which is equivalent to an element specified in the claims.") Thus it is plain that Europe has adopted the flexible bar approach of pre-*Festo* jurisprudence in the United States.

Germany also adheres to the principles announced by the WIPO, and is bound by Article 69. In the "moulded curbstone" decision, the

Supreme Court of Germany[3] stated that, pursuant to the Protocol on the Interpretation of Article 69 of the EPC, the scope of protection afforded by a patent grant may extend beyond the literal interpretation of the claims of a patent. (BGH Case No. X ZR 28/85 on April 29, 1986 "Moulded curbstone" (GRUR 1986, 803, 805).)[4]

The decision thus permitted a broad range of equivalents for the recited claim terms. For the determination of the scope of protection of a patent (range of equivalents) it is decisive whether the person skilled in the art was able to conclude for the "element" under scrutiny to have the same effect from the claims using the description (and the drawings) and based on his general knowledge. (*Id.*) This decision is entirely consistent with German jurisprudence which balances the competing objectives of adequately compensating the inventor for his contributions, while simultaneously taking into consideration the principle of legal certainty. (*See, e.g.*, BGH Case No. X ZR 5/87 on June 14, 1988 "Ion analysis" (GRUR 1988, 896, 899); BGH Case No. X ZR 63/87 on November 29, 1988 "Heavy metal oxidation catalyst" (GRUR 1989, 205, 208); BGH

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[3] References made herein to the Supreme Court of Germany shall mean and refer to the Federal Supreme Court of Germany ("BGH"; Bundesgerichtshof in Karlsruhe). Citations are to the Bundesgerichtshof ("BGH") as published in the monthly legal magazine "Gewerblicher Rechtsschutz and Urheberrecht" ("GRUR").

[4] Copies of the German cases cited herein, and English translations of the relevant potions of these authorities were lodged with this Court simultaneously herewith.

Case No. X ZR 33/88 on October 3, 1989 "Handle cord for battery case" (GRUR 1989, 903, 904); BGH Case No. X ZR 6/91 on April 20, 1993 "Moistening device" [literal translation] (GRUR 1993, 886, 889).)

Although Germany, unlike the United States, has adopted a patent system where the potentially infringing defendant must demonstrate and prove "objections" to persuade the court to exclude certain equivalents from the scope of the patent, (BGH Case No. X ZR 22/97 on February 17, 1999 "Contact spring block" (GRUR 1999, 914, 918)), under German law, interpretation of the scope of a patent's claims is the province of the BGH and is of particular significance in circumstances where there is no literal infringement. Thus, under German law, the alleged infringer bears the burden of explaining and proving that a claim should be defined more narrowly, as in the United States, a patent holder in Germany is not entitled to equivalents that are demonstrably covered by the prior art. ((GRUR 1986, 803); BGH Case No. 1a ZR 10/63 on June 30, 1964 "Scanning needle" (GRUR 1964, 669, 672); BGH Case No. X ZR 46/76 on June 15, 1978 "Wind screen" (GRUR 1978, 699, 701).) Additionally, as in the United States prior to *Festo*, in determining whether, and to what extent, to limit the scope of a patent claim in Germany, the nature of an express abandonment or actual restriction made during the granting process must be considered. (GRUR 1978, 699, 701.)

However, under German law, a judge does not have the power to interpret the characteristic of a patent claim that is affected by an abandonment or restriction in such a way that equivalents are absolutely excluded, unless that is the necessary effect of the amendment. Instead, judges are required to interpret patent claims in each case by examining the reason, purpose, effect and substantive scope of any purportedly limiting restriction or abandonment to determine whether the abandonment and/or the restriction has an effect on the equivalents which are normally included in the scope of protection of the patent. (*See Benkard/Ullman*, PatG, [Patent Law], 9th edition, marginal number 84 in § 14.) Similarly, and in contrast to the interpretation of law by this Court in *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*, 520 U.S. 17 (1997), and by the Court of Appeals in *Festo*, German judicature does not presume against the patentee, and holds that if is it not possible to unequivocally determine the reason for the abandonment and/or restriction, the inability to do so does not condemn the patent holder to a bar on equivalents. In view of these principles, it is plain that *Festo's* absolute bar on equivalents is fundamentally inconsistent with well-settled principles of German judicature.

Thus, since every protective right must be allowed an adequate scope of protection, (BGH Case No. X ZR 74/94 on February 4, 1997 "Cable duct" (GRUR 1997, 455, 457)), it is the rare exception, rather than the rule, that a narrowed element of a claim is restricted exclusively to its

literal meaning. (*See Benkard/Ullmann, loc. cit.*, marginal number 82.) To the extent that any limit is placed on the range of equivalents available, as a rule, only very specific equivalents are excluded. (GRUR 1964, 669, 672.) The difficulty a judge may have in interpreting a narrowed claim language does not provide an excuse, under German law, for restricting that claim to its literal meaning. (*See* Schramm, Der Patentverletzungsproze ß [Patent infringement proceedings], 4th ed., 1999, page 100 ("Restrictions and abandonments that are still in effect today are not to be interpreted to mean that the patent can be handled without protective scope. This misunderstanding is occasionally encountered. Restrictions and abandonments merely ensure that the protection of the embodiment that had been excluded as a result of the restriction or abandonment cannot be recaptured by way of the interpretation or grant of a protective scope.").)

Therefore, even on a narrowing combination of claims, German law permits a broad range of equivalents. By contrast, *Festo* would bar any equivalents for an analogous narrowing combination of claims or claim elements in a United States patent. In contrast to the practice invoked by the Federal Circuit, German legal practice requires that a restricted patent claim, rare exceptions aside, be interpreted in such a way that the patent is granted an adequate scope of protection, including an appropriate range of equivalents. United States patent law should not afford its inventors or its patents any narrower protection.

CONCLUSION

Festo adopts a position which is inconsistent with both its stated purpose and decades of well-settled jurisprudence, both domestic and foreign. In view of the foregoing, it is respectfully requested that this Court grant the relief requested by the Appellants, Festo Corporation, and reverse and remand the lower court's decision for further proceedings consistent with this Court's decision.

Respectfully submitted,

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